

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
OFFICE OF FINANCIAL AND INSURANCE REGULATION

Before the Commissioner of the Office of Financial and Insurance Regulation

In the matter of:

Pennsylvania Life Insurance Company
NAIC No. 67660

Enforcement Case No. 11-11170

Respondent

_____ /

Issued and entered
on 8-25 2011
by Annette E. Flood
Chief Deputy Commissioner

CONSENT ORDER AND STIPULATION

A. FINDING OF FACTS AND CONCLUSIONS OF LAW

It is alleged that the following statements are true and correct:

1. Pennsylvania Life Insurance Company is an authorized life and disability insurer in the State of Michigan.
2. On March 22, 2010, the Office of Financial and Insurance Regulation (OFIR) received a complaint from a resident insurance producer alleging that the commissions paid by Pennsylvania Life Insurance Company to the Complainant for selling certain insurance policies did not comply with MCL 500.2011(1) of the Michigan Insurance Code, (Code).
3. Complainant has been appointed by Pennsylvania Life Insurance Company since September 12, 2006 to sell accident and health, and life insurance policies.
4. Complainant sold "First Diagnosis of Cancer Insurance" and "Hospital Indemnity Insurance" policies through Pennsylvania Life Insurance Company.
5. Pennsylvania Life's First Diagnosis of Cancer commission schedule does not conform to MCL 500.2011(1) by paying a 32% commission in the first year and a 5.5% commission in the two consecutive annual renewal periods for policyholders age 18-69 and 4.0% commission in the two consecutive annual renewal periods for policyholders age 70-85.
6. On October 18, 2010, Pennsylvania Life Insurance Company re-filed the commission structure for its First Diagnosis of Cancer insurance product with OFIR. The filing was approved on October 19, 2010.

7. Pennsylvania Life's Hospital Indemnity commission schedule does not conform to MCL 500.2011(1) by paying a 35% commission in the first year and a 5% commission in the two consecutive annual renewal periods.
8. On October 18, 2010, Pennsylvania Life Insurance Company re-filed the commission structure for its Life's Hospital Indemnity insurance product with OFIR. The filing was approved on October 19, 2010.
9. Complainant was paid commission for selling these policies; however, the commission payments Complainant received did not comply with MCL 500.2011(1) because the commission paid in the second and third years was less than the commission paid in the first year.
10. As a licensee, Respondent knew or had reason to know that Section 2011 of the Code provides that "an unfair method of competition and an unfair or deceptive act or practice in the business of insurance includes an insurer providing a commission or other compensation to the insurer's representative or agent for the sale or service of a disability policy or rider issued to an individual eligible for medicare, unless the amount of the commission or compensation paid in the first year of the policy is not more than the amount of the commission or compensation that the insurer's representative or agent receives for the policy in each of the 2 subsequent, consecutive annual renewal periods."
11. Based upon the actions listed above, Respondent has committed acts that are grounds for the Commissioner ordering payment of a civil fine, refund of any overcharges, restitution be made to insureds to cover losses, damages or other harm attributed to Respondent's violation of the Code, and/or licensing sanctions under Section 2038 of the Code for the Respondent's violating Section 2011 of the Code.

B. ORDER

Based upon the findings of fact and conclusions of law above, and Respondent's stipulation to said facts, it is hereby ORDERED that:

1. Respondent shall immediately cease and desist from operating in a manner that violates Section 2011 of the Code, MCL 500.2011.
2. Respondent shall pay to the State of Michigan, a civil fine of One Thousand Dollars (\$1,000.00.). Upon issuance and entry of this Order, OFIR will send an Invoice to Respondent, and Respondent shall pay the fine by the due date printed on the Invoice.

OFFICE OF FINANCIAL AND
INSURANCE REGULATION

By: 

Annette E. Flood

Chief Deputy Commissioner

C. STIPULATION

I have read and understand the consent order above. I agree that the Commissioner has jurisdiction and authority to issue this consent order pursuant to the Insurance Code. I waive the right to a hearing in this matter if this consent order is issued. I understand that this stipulation and consent order will be presented to the Commissioner for approval and the Commissioner may or may not issue this consent order. I waive any objection to the Commissioner deciding this case following a hearing in the event the consent order is not approved. I admit the facts set forth in the above consent order and agree to the entry of this order.



Authorized Representative of

Pennsylvania Life Insurance Company


NAIC No. 67660

Steve L. Carlston
V.P. of Union Bankers Insurance Co

Name & Title *Administrator for Pennsylvania*
Life Insurance Company

Dated: *8/15/11*

OFIR staff approves this stipulation and recommends that the Commissioner issue the above Consent Order.



William R. Peattie

Dated: *8/18/11*

